

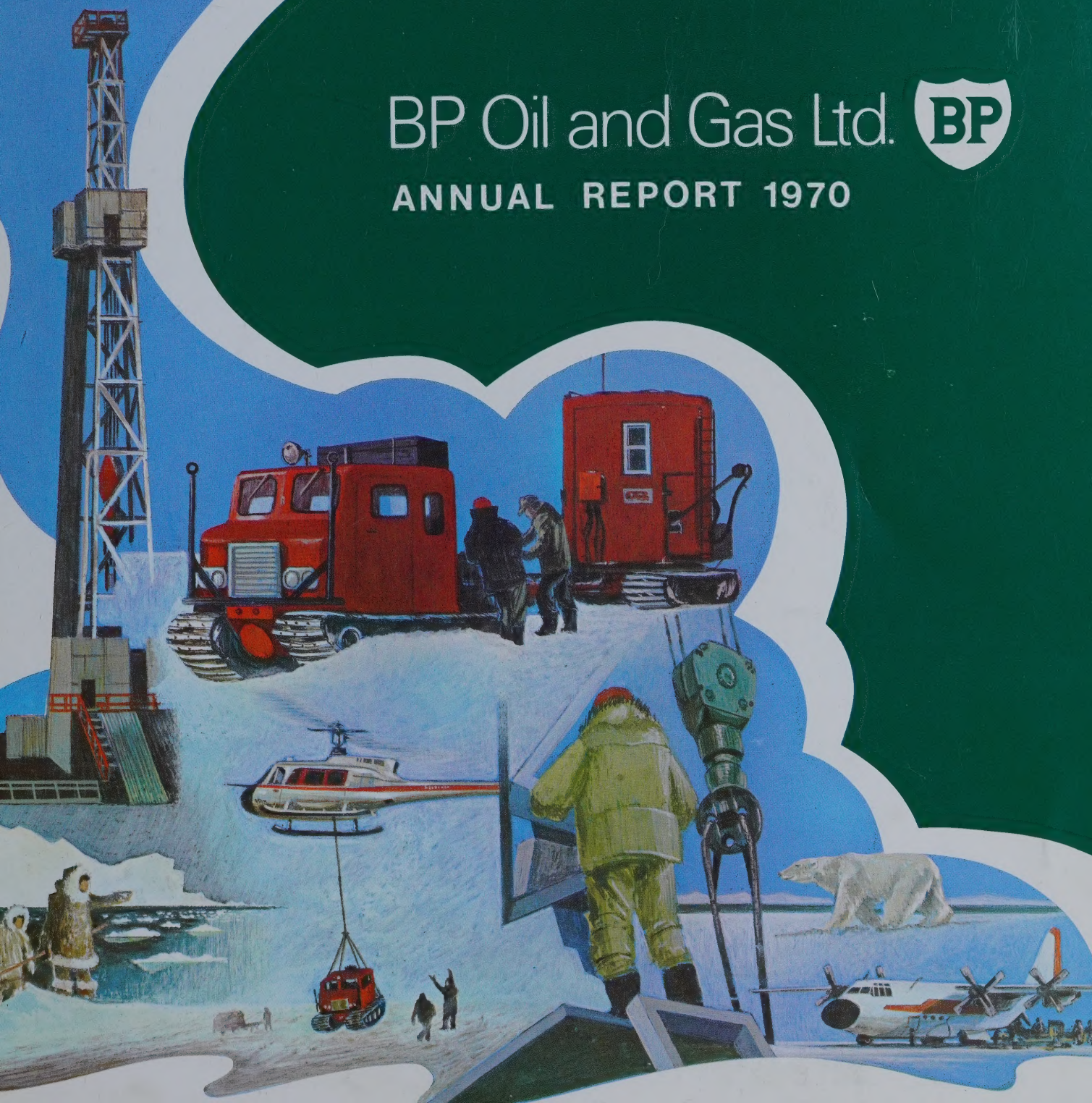
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BP Oil and Gas Ltd.



ANNUAL REPORT 1970





The Annual Meeting of Shareholders will be held at 11:00 a.m.  
on May 4, 1971 at the Head Office of the Company, 335 - 8th  
Avenue S.W., Calgary 2, Alberta.

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# BP Oil and Gas Ltd.

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## Board of Directors

### **E. W. Best**

Vice-President Operations  
BP Oil and Gas Ltd., Calgary

### **A. F. Down, OBE, MC, TD**

A Deputy Chairman and a Managing Director  
of The British Petroleum Company Limited, London, England

### **Peter Kilburn**

Chairman  
Greenshields Incorporated, Montreal

### **F. A. McKinnon, DUC**

President  
BP Oil and Gas Ltd., Calgary

### **I. N. McKinnon, MBE, LLD**

Chairman and President  
Consolidated Pipe Lines Company, Calgary

### **D. F. Mitchell**

President  
BP Canada Limited, Montreal

### **M. M. Pennell, CBE**

A Director and Chairman of the Executive Committee  
BP Trading Limited, London, England

### **D. E. C. Steel, DSO, MC, TD**

A Managing Director  
The British Petroleum Company Limited, London, England

### **C. R. Tanner**

Director  
Tanner Bros. Limited, Vancouver

### **E. H. Tanner, OBE**

Director  
Tanner Bros. Limited, Calgary

## Officers

**D. F. Mitchell**, Chairman of the Board

**F. A. McKinnon**, President

**E. W. Best**, Vice-President Operations

**K. T. Allison**, Vice-President Finance and Administration, Treasurer

**J. I. Rawlinson**, Secretary



## Financial and Operating Summary

|   | <u>1970</u>  | <u>1969</u>    | <u>Change</u> |
|---|--------------|----------------|---------------|
| Gross Revenue . . . . .                     | \$20,728,000 | \$18,253,000   | +13%          |
| Cash Flow from Operations . . . . .         | \$12,245,000 | \$10,250,000   | +19%          |
| Per Share . . . . .                         | 49¢          | 58¢            | —16%          |
| Net Earnings Before Extraordinary Items . . | \$ 5,543,000 | \$ 4,781,000 * | +16%          |
| Per Share . . . . .                         | 22¢          | 27¢ *          | —19%          |
| Long Term Debt . . . . .                    | \$25,343,000 | \$54,195,000   | —53%          |
| Crude Oil and Natural Gas Liquids Sales     |              |                |               |
| — Barrels per day . . . . .                 | 18,582       | 15,867         | +17%          |
| Natural Gas Sales                           |              |                |               |
| — Thousands of cubic feet per day . .       | 62,400       | 50,500         | +24%          |
| Sulphur Sales                               |              |                |               |
| — Long Tons per day . . . . .               | 169          | 168            | —             |

\* 1969 Pro Forma — See Note 2 to Financial Statements





## To The Shareholders:

The achievements of the past year have considerably improved the Company's outlook and prospects.

The rights issue, successfully completed in April 1970, added some \$25.4 million to equity capital. The proceeds of the issue were used to reduce debt by about \$23.7 million, and this, and other debt retirement, has enabled a much larger proportion of cash flow to be directed to the Company's operations. Exploration expenditures in 1970 were close to \$6 million, which is more than twice the average during the 1960's. Expenditures on exploration planned for 1971 are expected to be about \$8 million.

Common shares issued on exercise of rights amounted to 7,803,122, which, together with 1,716,776 common shares issued in payment for exploration and production interests acquired from BP Canada Limited, and the exercise of stock options, increased the total number of shares outstanding from 17,791,029 to 27,317,927. The number of registered shareholders at the end of the year was 6,335.

The Company's identification as the exploration and production arm of the BP Group in Canada was emphasized by its change of name during the year from Triad Oil Co. Ltd. to BP Oil and Gas Ltd.

The main thrust of exploration is being directed toward the Arctic Islands, which geologically show great potential for hydrocarbon reserves. Acquisitions in 1970 have provided the Company with excellent representation throughout the Arctic Islands region, with widespread interests comprising 7.4 million gross acres. Seismic information obtained during the year has indicated the presence of several structures of particular interest, and three wells are planned for commencement in 1971. The first will be on Vanier Island, to start during April, with a subsequent well to be drilled on Prince Patrick Island in the western islands and another on Graham Island, in the eastern Arctic.

The Company's net production of crude oil and natural gas liquids increased by 17% during the year and reached a record level of 19,570 barrels per day average in the last quarter. Net production of natural gas increased by 24%. The expanded production arose partly from the Kaybob South plant, which reached its rated throughput in July, and contributed about \$1.2 million to the Company's revenue in 1970. The most significant change during the year was the improved access for Canadian crude in United States markets. Overall growth of Canadian production in 1970 was 12.7% for crude oil and natural gas liquids, and 14.3% for natural gas.

Production revenue in 1970 amounted to \$20,578,000 compared to \$18,175,000 in the previous year, a gain of 13%. Cash flow rose 19%, from \$10,250,000 in 1969 to \$12,245,000 in 1970. An increase in crude oil price was obtained at the end of the year, and on the basis of 1970 production rates this would be expected to add approximately \$1.75 million to Company revenue in 1971.

The outlook for the Canadian petroleum industry continues to be attractive, since the growing demands of North America will likely be met increasingly from Canadian sources. While the prospects are favorable in terms of markets and of oil and gas potential, the attitude and actions of government can profoundly influence the flow of the very large amounts of risk capital required by the industry and will be vital factors in determining whether the Canadian industry fulfills its expected role or not.

In August 1970 Mr. J. H. Porter resigned as President and a Director of the Company to accept a position with the Iranian Consortium in Tehran. Mr. Porter served as Chief Executive Officer of the Company for four and a half years and provided very effective leadership during this period. Dr. F. A. McKinnon was elected President to replace Mr. Porter, and Dr. E. W. Best, Vice-President, Operations, was appointed to the Board.

At the end of the year Mr. E. H. Tanner expressed his intention to retire and not to stand for re-election to the Board at the next Annual General Meeting. Mr. Tanner was one of the founders of the Company and served as President until 1959, and as Chairman of the Board from 1959 until 1967. On behalf of the Company I wish to acknowledge his immense contribution to our growth and strength and to extend to him our best wishes for the future.

To a very large extent, the Company's ability to achieve its full potential depends on its employees. At the end of 1970 the staff of the Company comprised 122 employees, of whom 104 were in the Calgary office and 18 in field operations. The loyalty and cooperation of these individuals and their efforts on behalf of the Company are much appreciated.

Calgary, Alberta.  
March 29, 1971

  
F. A. McKINNON, President



## Review of Operations



### FINANCIAL

The financial statements for the past year reflect the improved position of the Company as a result of the successful completion of the rights issue authorized by shareholders on February 16, 1970. Shareholders of record on March 17, 1970 were issued rights to subscribe for additional common shares at \$3.25 per share in the ratio of two shares for each five shares then held. Exercise of these rights in full realized a total of \$25,360,000 which was used to purchase for cancellation \$14,713,000 of the 4¾% Notes of the Company maturing September 15, 1971 and \$8,958,000 of a 5½% Note due in installments to March 1, 1973, at a discount of \$726,000. In 1970 the Company's long term debt was reduced by \$28,852,000. Interest payments were reduced from \$3,300,000 in 1969 to \$2,505,000 in 1970. This refinancing was undertaken to relieve the Company of onerous debt servicing obligations over the next several years in order to more fully participate in the anticipated growth of the industry.

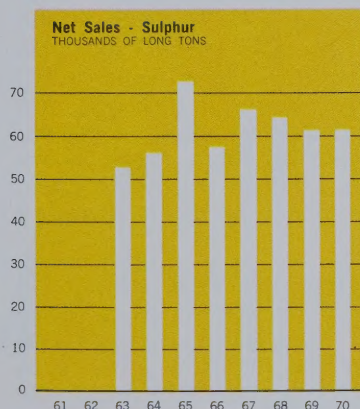
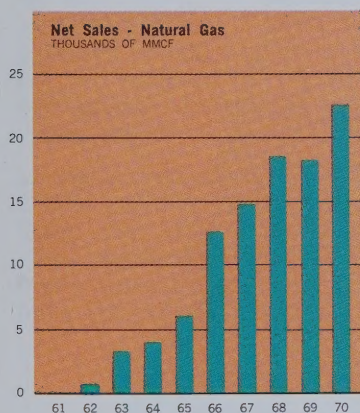
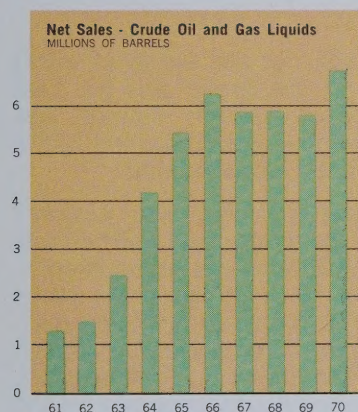
On January 1, 1970 the Company purchased from BP Canada Limited four of its wholly owned subsidiaries and in so doing, acquired that company's interest in a considerable spread of exploration and producing properties in western Canada. Payment for this purchase was made by the issuance of 1,716,776 common shares at \$5.25 per share.

Production revenue in 1970 increased 13% to \$20,578,000 and was derived from the sale of products and from pipeline operations as follows:

|                             | 1970                   |             | 1969            |             |
|-----------------------------|------------------------|-------------|-----------------|-------------|
|                             | (Thousands of Dollars) |             |                 |             |
| Crude oil and natural       |                        |             |                 |             |
| gas liquids . . . . .       | \$16,137               | 78%         | \$13,708        | 76%         |
| Natural gas . . . . .       | 3,523                  | 17%         | 2,795           | 15%         |
| Sulphur . . . . .           | 541                    | 3%          | 1,405           | 8%          |
| Pipeline Operations . . . . | 377                    | 2%          | 267             | 1%          |
|                             | <u>\$20,578</u>        | <u>100%</u> | <u>\$18,175</u> | <u>100%</u> |

The decrease in revenue from sulphur reflects the continued decline in price which began in 1967. The average price realized in 1970 was \$8.79 per ton compared with \$22.95 per ton in 1969, \$35.20 per ton in 1968 and \$38.29 per ton in 1967. Sales of sulphur have remained at approximately 60,000 tons a year. Production not sold has been added to stockpiles and the Company now has an inventory of 72,000 tons.





On January 1, 1970 the Company adopted the full cost method of accounting. This method (described more fully in Note 2 to the Financial Statements) is followed by many exploration and production companies in Canada, and has the effect of more closely relating reported earnings to the economic realities of the Company's activities by providing a wider basis for depleting exploration and development expenditures. The Statement of Earnings includes 1969 figures both as previously reported and as restated on a full cost basis.

Net earnings for 1970 amounted to \$5,543,000 (22¢ per share) excluding non-recurring profits totalling \$604,000 resulting from the refinancing and from the sale of all of the outstanding shares of Triad Realities Ltd. which owned the former head office building of the Company. Earnings in 1969 were \$4,781,000 (27¢ per share) restated on a comparable basis. Earnings previously reported for 1969 were \$2,894,000 (16¢ per share).

Cash flow increased 19% from \$10,250,000 in 1969 to \$12,245,000. On a per share basis, 1969 cash flow was 58¢ per share which was reduced in 1970 to 49¢ due to the larger number of shares outstanding. Average shares outstanding in 1970 numbered 25,066,193 compared to 17,791,029 in 1969.

Field and plant operating expenses increased by \$533,000, almost entirely due to new sources of production including the Kaybob South project and properties acquired from BP Canada Limited. The expanded scope of operations, the move to new office premises, and the cost of changing the Company's name to BP Oil and Gas Ltd. all contributed to greater general and administrative expense.

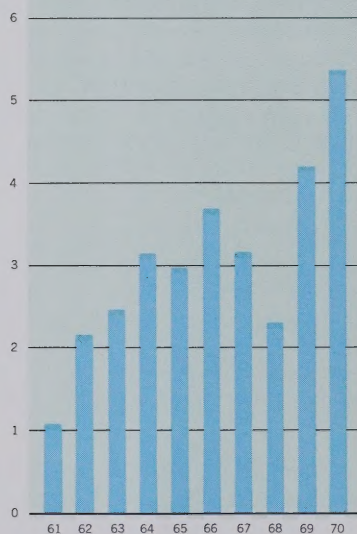
Provision for depletion as restated on a full cost basis rose from \$4,023,000 in 1969 to \$4,977,000 in 1970 as a result of the increased volume of production and the increase in exploration expenditures which have not been reflected in higher reserves. A substantial portion of the increased exploration expenditure during the year was devoted to land acquisition and preliminary exploration costs on long term projects which, of course, may not result in an immediate increase in reserves.

It is not expected that any new major borrowing will be required to finance capital expenditures during 1971.

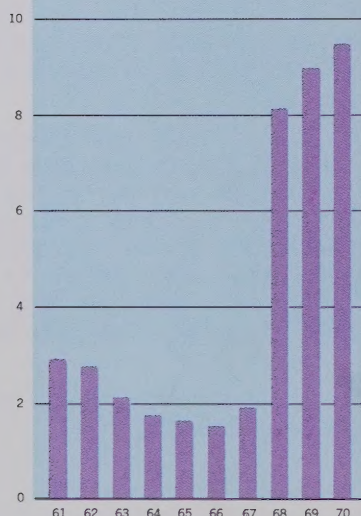




**Exploration Expenditures**  
MILLIONS OF DOLLARS



**Land Holdings**  
MILLIONS OF NET ACRES



## EXPLORATION

Industry activity in 1970 was notable for the surge of effort directed toward the frontier areas of the Arctic and the East Coast. Exploration of the interior of western Canada was generally at a lower level than in previous years, and industry's record of discoveries in 1970 has been disappointing.

The Company's main effort during the year was directed to improving exploration acreage holdings, and particularly to securing a good representative position in the Arctic Islands. Total acreage was increased from 19.3 million gross acres (8.9 million net) to 26.7 million gross acres (9.5 million net). Present holdings in the Arctic Islands comprise 7.4 million gross acres and in the Northwest Territories 1.3 million gross acres. The 12.7 million gross acres previously acquired off the East Coast remained virtually unchanged in 1970. The increased participation in the frontier areas is possible because of the greater availability of cash flow for operations, resulting from the refinancing. The Company's exploration in the traditionally prospective plains areas of western Canada has been maintained at about the same level as in recent years.

In total, the Company participated in 41 exploratory wells, of which 15 were drilled at no cost. The results of these efforts were disappointing, providing only two oil wells, two small gas wells and 37 abandonments. Fourteen additional wells were drilled by others on locations adjacent to lands where the Company granted options, but no significant results were obtained.

### Arctic Islands:

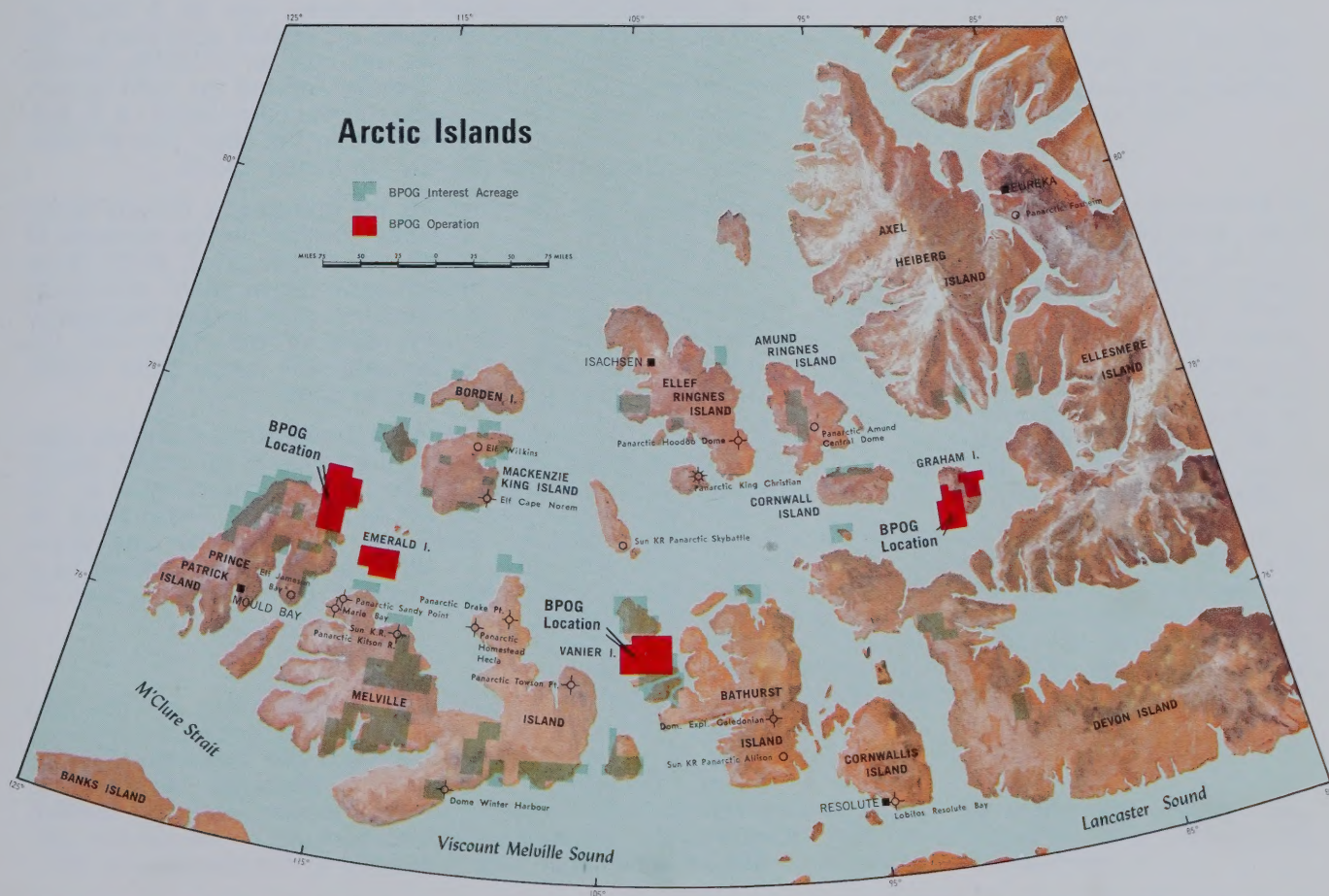
Industry activity in the Arctic Islands has received wide publicity as a result of the spectacular gas blowouts in the wells at Drake Point and on King Christian Island. Available information indicates that, out of about a dozen wells drilled to date, two have encountered large flows of natural gas, two have reported smaller gas shows and one had shows of live oil. While details of the well data are not available, these hydrocarbon occurrences have served to confirm the prospective-ness of the region which was already regarded as an important future oil province.

On all exploration projects in the Arctic Islands, the Company has equal interests with BP Oil Limited, an associated company primarily engaged in marketing and refining in eastern Canada. Such a joint venture approach provides important advantages in frontier areas where development costs resulting from successful exploration would be very high.

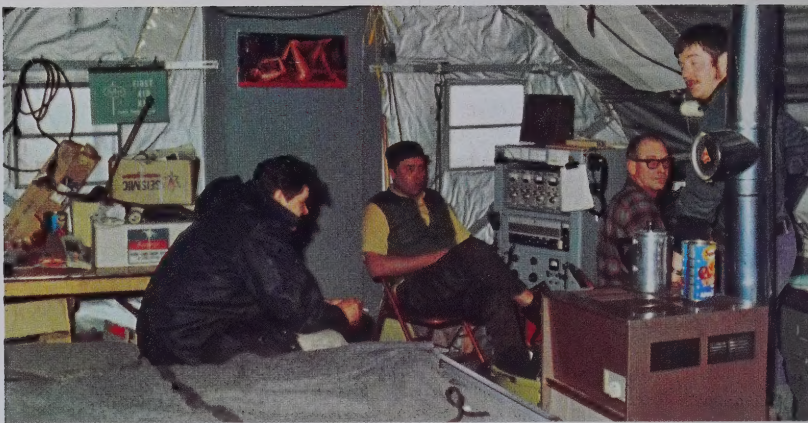




Early in 1970 the Company negotiated a farmout from Panarctic Oils Ltd. covering some 1.2 million permit acres on Vanier, Emerald and Prince Patrick Islands. The program requirements of the farmout included 400 miles of seismic surveys and two obligation wells, with an option to drill a third well. During 1970 the seismic surveys were completed and plans are now well advanced for the drilling of the two obligation wells in 1971 on structures defined by the seismic work. A well on Vanier Island, to be known as "BP et al Panarctic Hotspur", will be started during April 1971 with equipment to be flown to the site in March from Yellowknife, Northwest Territories. A well on Prince Patrick, to be known as "BP et al Panarctic Satellite", is expected to commence about mid-year, using drilling equipment already being employed in the







area by another company. Both wells are programmed to 12,000 feet in depth. Air strips have been built to service both locations, and expendable supplies such as drilling mud, cement, chemicals and pipe for the first part of the program were shipped to Resolute in 1970. Further sea shipments will be made in 1971. The Company has a 35% interest in this project and on completion of the two obligation wells, will have earned approximately 101,000 net acres. The decision concerning the option well will be taken at a later date after information from the first two wells is in hand. If this well is to be drilled, it need not be commenced until December 31, 1972.

In addition to the Panarctic farmout wells the Company will also drill a 10,000 foot test on Graham Island on lands obtained under farmout from Pacific Petroleum. Seismic survey work has defined two prominent structures, one on a block of 227,000 acres and the other on a 111,000 acre block. The Company will pay 50% of the well cost for a 12½% interest in the block that is drilled, thereby earning the right to purchase for cash a similar interest in the other block. It is proposed that the well will be started in the latter part of 1971 using equipment from the well on Vanier Island.

Elsewhere in the Arctic Islands the Company is broadly represented through acreage interests acquired in the purchase of the four BP exploration subsidiaries on January 1, 1970. These interests comprise 7.1 million gross acres which are under farmout to Panarctic. On completion of its current exploration program, Panarctic will earn 80% of the rights and the residual holdings of the Company will range from 1.25% to 10%, amounting to 393,000 net acres.

In addition to the various working interests the Company owns 34.75% of the equity of British Columbia Oil Lands Ltd., whose Arctic Islands holdings comprise a 14% participation in 1.5 million gross acres farmed out to Panarctic. These lands include the permits on which the King Christian and Drake Point wells were drilled. After Panarctic's obligations have been fulfilled, the residual interest of British Columbia Oil Lands Ltd. will be 3.15%.

#### **East Coast Offshore:**

The Company and its associate, BP Oil Limited, are the joint owners of Federal oil and gas permits comprising 12.7 million acres off the coast of Newfoundland and Labrador. Seismic surveys conducted in 1969 have indicated sediments as much as 20,000 feet thick. The seismic work has fulfilled most of the exploration work requirements on the permits until 1972 and no major work is planned by the Company in 1971.





However, there is every indication of considerable drilling activity by other companies in adjacent areas during 1971 and the scale of future Company activity will be influenced by their results.

#### **Northwest Territories:**

Considerable industry activity occurred in various areas of the Northwest Territories in 1970 but, with the possible exception of one oil discovery at Atkinson Point east of the Mackenzie Delta, the results have been far below expectations.

During the past year the Company drilled two wells in the Fort Good Hope area. Both wells found non-productive reef and were abandoned, and options on some 624,000 acres were surrendered. Interests earned amounted to 213,000 net acres which have been retained for the present time.

In the Simpson Plains area of the southern part of the Territories, exploration results have been similarly unproductive. The Company participated in four wells which were abandoned. A limited seismic survey will be undertaken in 1971.

9

#### **Foothills:**

The Company maintained its acreage position, amounting to about 335,000 gross acres, in the foothills and deep basin area of Alberta and British Columbia, but carried out little exploration in the area during 1970. In Alberta the Company has good acreage representation at Stolberg, Lovett River, Obed, McLeod River, Berland River and Grande Prairie. At Grande Prairie a deep reef test drilled by the Company and partners found water-bearing reef with only a small column of gas. Subsequently, part of the acreage was farmed out for two deep reef tests which commenced drilling in the Fall of 1970. Another part of the acreage was farmed out under seismic option requiring three reef tests to earn an interest.

The Company has a 100% interest in 178,000 lease acres in the Sukunka area of the British Columbia foothills, now under farmout. The well required under the farmout was drilled and abandoned in 1969 and the required seismic program completed in 1970. In addition, two option wells may be drilled by the farmee to earn a 50% interest in all the acreage. If the option is exercised, drilling must commence in 1971.

#### **Central Plains:**

In the Chauvin area of Alberta the exploration program was essentially completed with the drilling of six wells. None found sufficient oil column to warrant development.





In the Manito area, located in the region adjacent to Chauvin, a 39 well drilling program under farmout from the Company was completed in 1969 and resulted in several heavy oil discoveries. Five development wells were drilled and resulted in three abandonments, one oil well and one gas well. Because of the heavy gravity of the oil and erratic character of the reservoir, the Company's interest in the acreage was sold in 1970.

#### SUMMARY OF DRILLING

|   | <u>Oil</u> | <u>Gas</u> | <u>Dry</u> | <u>Other*</u> |
|---|------------|------------|------------|---------------|
| <b>Exploratory Wells</b>                |            |            |            |               |
| Working interest . . . . .              | 1          | 1          | 24         | —             |
| Farmout (interest retained) . .         | 1          | 1          | 13         | —             |
| <b>Wells adjacent to lands optioned</b> |            |            |            |               |
| — no direct interest . . . .            | 1          | 2          | 11         | —             |
| <b>Development Wells</b>                |            |            |            |               |
| Working interest . . . . .              | 34         | 11         | 10         | 5             |
| Farmout (interest retained) . .         | —          | 2          | —          | —             |

\*Water injection wells

#### Marguerite Lake:

The results of the experimental heavy oil project, in which the Company has a 10% interest, indicated that commercial development would not be economic under present conditions and the project was suspended early in 1970. However, the properties have very large reserves and are being retained against changing conditions in the future.





## LAND SUMMARY

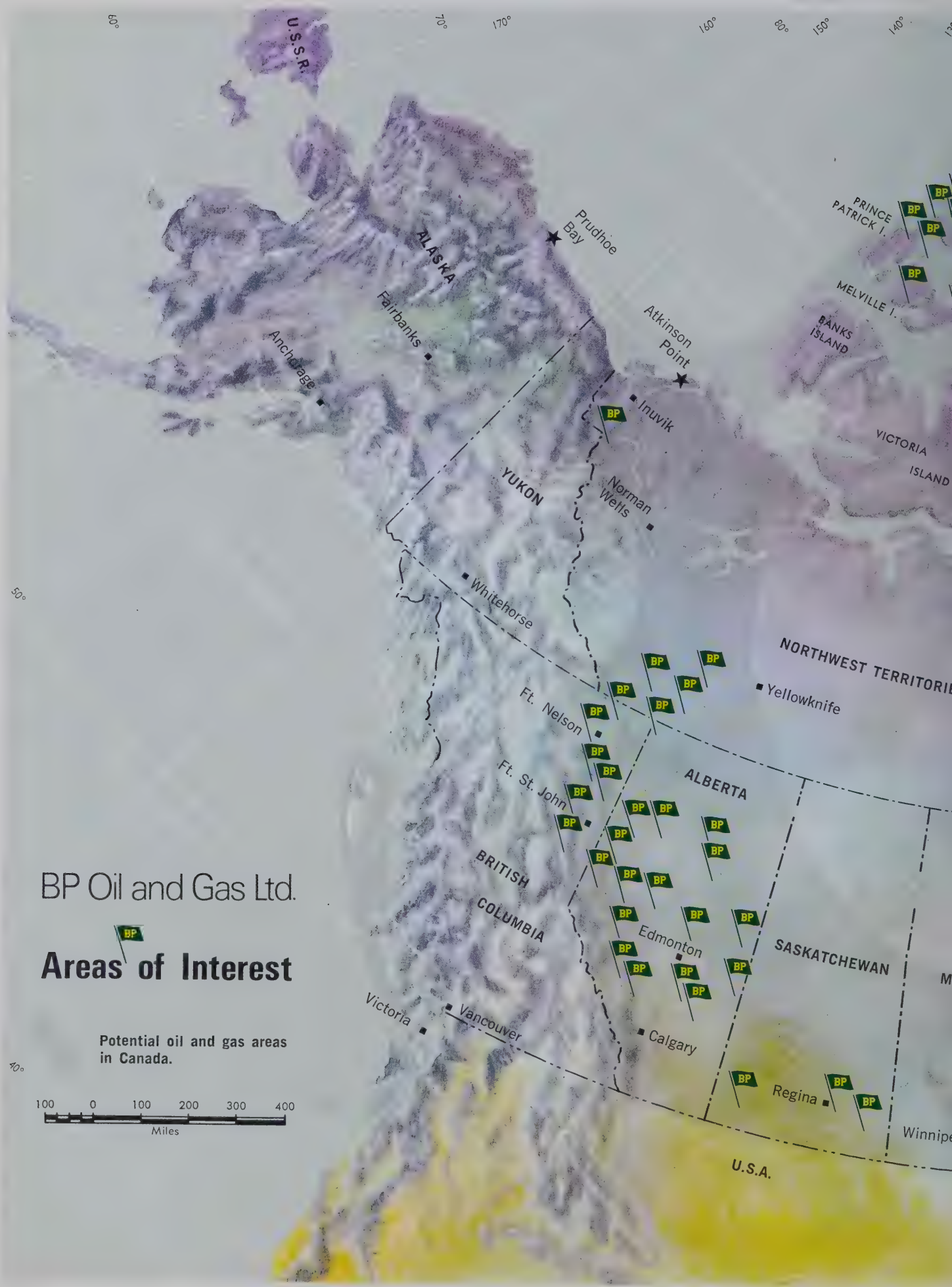
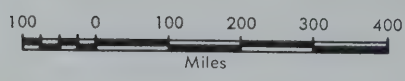
|                                 | December 31, 1969 |                  | Acquisitions      |                  | Surrenders       |                  | December 31, 1970 |                  |
|---------------------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|
|                                 | Gross             | Net              | Gross             | Net              | Gross            | Net              | Gross             | Net              |
| <b>LEASES</b>                   |                   |                  |                   |                  |                  |                  |                   |                  |
| Alberta . . .                   | 1,362,652         | 550,622          | 290,925           | 453,203          | 276,868          | 151,466          | 1,376,709         | 852,359          |
| British Columbia                | 496,718           | 362,779          | 160               | 107,736          | 129,453          | 116,742          | 367,425           | 353,773          |
| Saskatchewan .                  | 221,820           | 81,544           | 42,301            | 69,686           | 130,889          | 86,541           | 133,232           | 64,689           |
| Ontario . . .                   | 30,837            | 2,313            | —                 | 9,277            | 1,749            | —                | 29,088            | 11,590           |
| <b>TOTAL . . .</b>              | <b>2,112,027</b>  | <b>997,258</b>   | <b>333,386</b>    | <b>639,902</b>   | <b>538,959</b>   | <b>354,749</b>   | <b>1,906,454</b>  | <b>1,282,411</b> |
| <b>RESERVATIONS AND PERMITS</b> |                   |                  |                   |                  |                  |                  |                   |                  |
| Alberta . . .                   | 1,522,941         | 901,173          | 326,400           | 333,646          | 521,964          | 532,639          | 1,327,377         | 702,180          |
| British Columbia                | 179,532           | 67,047           | 31,233            | 30,115           | —                | —                | 210,765           | 97,162           |
| Saskatchewan .                  | 457,138           | 189,715          | 3,840             | 125,604          | 366,258          | 274,919          | 94,720            | 40,400           |
| Northwest Territories . .       | 1,293,316         | 197,702          | —                 | 66,664           | —                | —                | 1,293,316         | 264,366          |
| Arctic Islands .                | —                 | —                | 7,381,734         | 451,819          | —                | —                | 7,381,734         | 451,819          |
| East Coast . .                  | 12,649,027        | 6,324,513        | 74,781            | 37,390           | —                | —                | 12,723,808        | 6,361,903        |
| <b>TOTAL . . .</b>              | <b>16,101,954</b> | <b>7,680,150</b> | <b>7,817,988</b>  | <b>1,045,238</b> | <b>888,222</b>   | <b>807,558</b>   | <b>23,031,720</b> | <b>7,917,830</b> |
| <b>MAJOR OPTIONS</b>            |                   |                  |                   |                  |                  |                  |                   |                  |
| Alberta . . .                   | 174,535           | 59,144           | 186,440           | 62,680           | 73,465           | 19,375           | 287,510           | 102,449          |
| Northwest Territories . .       | 913,134           | 228,283          | —                 | —                | 913,134          | 228,283          | —                 | —                |
| Arctic Islands .                | —                 | —                | 5,858,627         | 1,265,740        | 4,346,039        | 1,086,510        | 1,512,588         | 179,230          |
| <b>TOTAL . . .</b>              | <b>1,087,669</b>  | <b>287,427</b>   | <b>6,045,067</b>  | <b>1,328,420</b> | <b>5,332,638</b> | <b>1,334,168</b> | <b>1,800,098</b>  | <b>281,679</b>   |
| <b>TOTAL . . .</b>              | <b>19,301,650</b> | <b>8,964,835</b> | <b>14,196,441</b> | <b>3,013,560</b> | <b>6,759,819</b> | <b>2,496,475</b> | <b>26,738,272</b> | <b>9,481,920</b> |



# BP Oil and Gas Ltd.

## Areas of Interest

Potential oil and gas areas in Canada.











# SALES OF CRUDE OIL AND NATURAL GAS LIQUIDS—NET Daily Average Barrels

| ALBERTA                       | 1970   | 1969  |
|-------------------------------|--------|-------|
| Redwater . . . . .            | 1,919  | 1,786 |
| Chauvin . . . . .             | 1,795  | 985   |
| Pembina . . . . .             | 1,379  | 1,326 |
| Kaybob South . . . . .        | 1,024  | —     |
| Inverness . . . . .           | 879    | 1,033 |
| Swan Hills . . . . .          | 873    | 742   |
| Sturgeon Lake South . . . . . | 854    | 772   |
| Harmattan Area . . . . .      | 424    | 392   |
| Other Areas . . . . .         | 1,751  | 1,507 |
| Sub-Total . . . . .           | 10,898 | 8,543 |
|                               | 58.6%  | 53.8% |

## BRITISH COLUMBIA

|                         |       |       |
|-------------------------|-------|-------|
| Beatton River . . . . . | 1,443 | 1,539 |
| Other Areas . . . . .   | 16    | 13    |
| Sub-Total . . . . .     | 1,459 | 1,552 |
|                         | 7.9%  | 9.8%  |

## SASKATCHEWAN

|                       |       |       |
|-----------------------|-------|-------|
| Dollard . . . . .     | 1,894 | 1,528 |
| Weyburn . . . . .     | 815   | 856   |
| Steelman . . . . .    | 810   | 838   |
| Instow . . . . .      | 597   | 564   |
| Kenosee . . . . .     | 401   | 283   |
| Other Areas . . . . . | 1,708 | 1,703 |
| Sub-Total . . . . .   | 6,225 | 5,772 |
|                       | 33.5% | 36.4% |

|                           |        |        |
|---------------------------|--------|--------|
| TOTAL—ALL AREAS . . . . . | 18,582 | 15,867 |
|                           | 100.0% | 100.0% |

# SALES OF NATURAL GAS—NET Daily Average mcmf

|  | 1970 | 1969 |
|--|------|------|
| Edson . . . . .                        | 33.0 | 25.4 |
| Cessford . . . . .                     | 4.1  | 4.2  |
| Okotoks . . . . .                      | 4.1  | 4.4  |
| East Calgary . . . . .                 | 3.6  | 3.4  |
| Kaybob Notikewin . . . . .             | 2.9  | 2.5  |
| Ghost Pine . . . . .                   | 2.8  | 2.2  |
| Carstairs-Crossfield . . . . .         | 2.5  | 2.6  |
| Kaybob South . . . . .                 | 1.6  | —    |
| Other Areas and Solution Gas . . . . . | 7.8  | 5.8  |
|  | 62.4 | 50.5 |

# SALES OF SULPHUR—NET Annual Long Tons

|                           | 1970   | 1969   |
|---------------------------|--------|--------|
| Okotoks . . . . .         | 28,054 | 42,007 |
| Kaybob South . . . . .    | 11,954 | —      |
| Edson . . . . .           | 9,325  | 5,871  |
| East Calgary . . . . .    | 8,563  | 9,395  |
| East Crossfield . . . . . | 2,354  | 3,922  |
| Other Areas . . . . .     | 1,340  | 13     |
|                           | 61,590 | 61,208 |

## PRODUCTION AND SALES

The Company's net production of crude oil and natural gas liquids increased by 17%, from 15,867 barrels daily in 1969 to 18,582 barrels daily in 1970. The higher average production is attributed partly to the properties acquired from BP Canada Limited, which provided 690 barrels per day, and to Kaybob South, which contributed 1,024 barrels per day averaged over the year. Removal of marketing restrictions in southwestern Saskatchewan resulted in an increase of 478 barrels per day. The remainder of the growth in 1970 resulted from additional drilling and waterflood response at Chauvin, and from the generally increased demand for Canadian crude.

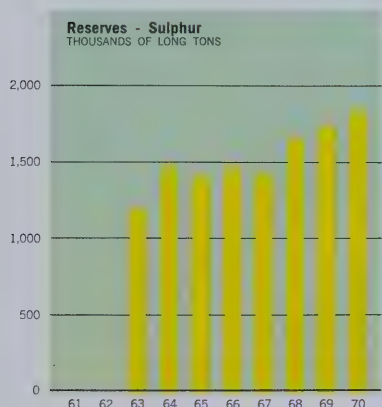
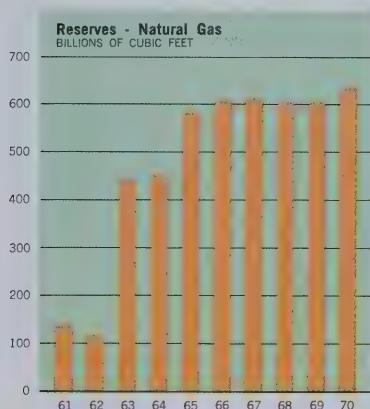
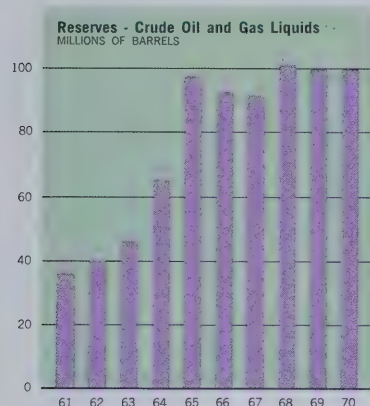
Sales of natural gas increased 24% to an average of 62.4 million cubic feet per day primarily as a result of additional sales from the Edson Plant. Sales of sulphur remained at about the same level as in 1969, 169 long tons per day. In addition, 108 long tons per day were stockpiled.

The Kaybob South Unit No. 2 and the associated facilities achieved steady full-scale operation in July. The Company's current net share of daily production is approximately 1,500 barrels of natural gas liquids, 110 long tons of sulphur and 2.3 mcmf of gas. This share of production is subject to adjustment after final determination of unit participation in 1971.

At Chauvin, in eastern Alberta, eight development wells were completed as oil wells, three were abandoned, and one was a suspended oil well. Two enhanced recovery schemes, using water injection, were initiated during the year. Response to date has been encouraging as the production rate in one pool has increased several-fold since the implementation of the pressure maintenance system. The second scheme was initiated late in the year and response is not anticipated until 1971. Additional recovery schemes are planned for the Chauvin area in 1971. At David, a new pool adjacent to Chauvin, one oil well was drilled and further drilling is planned for 1971.

Throughput of the Chauvin-Hardisty Pipe Line system for the first full year of operation averaged 2,362 barrels daily. A ten-mile extension was built to the Hayter Field and was put in operation in September. The economies of this system have resulted in a well head price increase of 17¢ per barrel.





## RESERVES

The major additions to reserves during the year arose from the acquisition of the properties previously owned by BP Canada Limited and from the increased recovery anticipated in the Chauvin area as a result of installation of waterflood projects.

On the basis of the performance of certain reservoirs, oil reserves have been reduced by some 3,791,000 barrels and recoverable gas reserves have been reduced by 15,700 mmcf.

The following table summarizes the changes in proven reserves during the year and shows the location of remaining reserves as estimated by the Company:

|   | Oil and Natural<br>Gas Liquids<br>(barrels) | Natural Gas<br>(mmcf.) | Sulphur<br>(long tons) |
|---|---|------------------------|------------------------|
| <b>Proven Reserves</b>                            |   |                        |                        |
| December 31, 1969 . . .                           | 99,700,000                                  | 601,000                | 1,761,500              |
| Add—Purchased . . .                               | 5,556,000                                   | 66,500                 | 193,000                |
| Discoveries, extensions and<br>secondary recovery | 5,163,000                                   | 4,500                  | —                      |
|   | 110,419,000                                 | 672,000                | 1,954,500              |
| Less—Production . . .                             | 6,782,000                                   | 23,000                 | 61,600                 |
| Net adjustments to<br>existing reserves .         | 3,791,000                                   | 16,000                 | 40,100                 |
|   | 10,573,000                                  | 39,000                 | 101,700                |
| <b>Proven reserves</b>                            |   |                        |                        |
| December 31, 1970 . . .                           | 99,846,000                                  | 633,000                | 1,852,800              |
| <b>Location of Proven Reserves</b>                |   |                        |                        |
| Alberta . . . . .                                 | 81,369,000                                  | 563,000                | 1,730,300              |
| British Columbia . . .                            | 3,286,000                                   | 68,000                 | 122,500                |
| Saskatchewan . . . . .                            | 15,191,000                                  | 2,000                  | —                      |
|   | 99,846,000                                  | 633,000                | 1,852,800              |

Included in the proven gas and sulphur reserves are some 106,200 mmcf and 246,000 long tons of sulphur in areas which are beyond reach of existing pipeline facilities.

The Company's share of heavy oil reserves in the Cold Lake/Marguerite Lake area are not included as these reserves cannot be economically produced with existing technology.



## Ten Year Statistical Summary

(including subsidiary companies from date of acquisition)

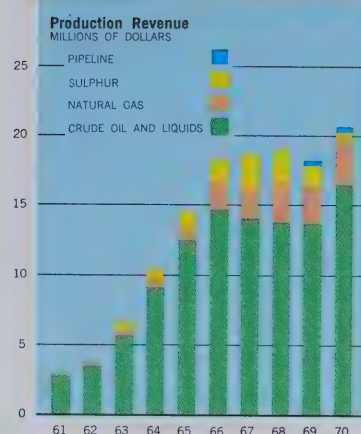
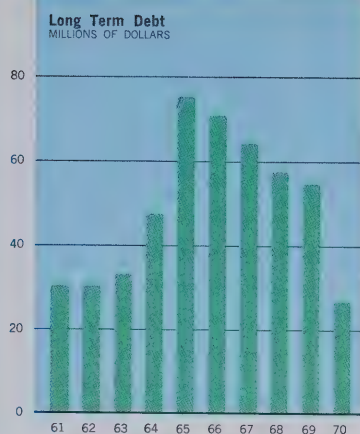
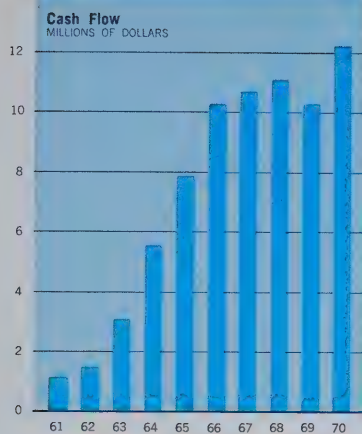
|  | 1970           | 1969        | 1968        |
|--|----------------|-------------|-------------|
| <b>FINANCIAL</b>   |                |             |             |
| Gross Revenue . . . . .  | \$20,728,000   | 18,253,000  | 19,105,000  |
| Operating Expense . . . . .  | \$ 4,155,000   | 3,622,000   | 3,521,000   |
| General and Administrative Expense . . . . .                           | \$ 1,823,000   | 1,081,000   | 819,000     |
| Interest Expense . . . . .   | \$ 2,505,000   | 3,300,000   | 3,646,000   |
| Cash Flow . . . . .  | \$12,245,000   | 10,250,000  | 11,119,000  |
| Per share . . . . .  | 49¢            | 58¢         | 62¢         |
| Net Earnings (Loss) . . . . .  | \$ 5,543,000   | 2,894,000   | 3,063,000   |
| Per share . . . . .  | 22¢            | 16¢         | 17¢         |
| Long Term Debt . . . . .   | \$25,343,000   | 54,195,000  | 57,485,000  |
| Working Capital . . . . .  | \$ (1,310,000) | (3,591,000) | (1,478,000) |
| Expenditures on exploration . . . . .                                  | \$ 5,403,000   | 4,187,000   | 2,296,000   |
| Expenditures on development including plant and<br>equipment . . . . . | \$ 2,759,000   | 6,402,000   | 2,856,000   |
| Purchases of shares in, or assets of other companies                   | \$ 9,083,000   | —           | —           |
| Shareholders' Equity . . . . .   | \$71,662,000   | 31,119,000  | 28,225,000  |
| Number of shares outstanding . . . . .                                 | 27,318,000     | 17,791,000  | 17,791,000  |

## OPERATING

|   |            |            |            |
|---|------------|------------|------------|
| Net sales - oil and liquids (bbls.) . . . . . | 6,782,000  | 5,791,000  | 5,878,000  |
| - natural gas (mmcf) . . . . .                | 22,786     | 18,433     | 18,643     |
| - sulphur (long tons) . . . . .               | 61,590     | 61,208     | 64,432     |
| Average selling prices                        |            |            |            |
| - oil and liquids (per bbl.) . . . . .        | \$ 2.38    | 2.37       | 2.36       |
| - natural gas (per mcf) . . . . .             | 15¢        | 15¢        | 15¢        |
| - sulphur (per long ton) . . . . .            | \$ 8.79    | 22.95      | 35.20      |
| Land holdings                                 |            |            |            |
| Gross acres . . . . .                         | 26,738,000 | 19,302,000 | 16,079,000 |
| Net acres . . . . .                           | 9,482,000  | 8,965,000  | 8,132,000  |
| Number of employees . . . . .                 | 122        | 129        | 123        |

Certain adjustments have been made to previously published figures to conform to current presentation.





| 1967        | 1966       | 1965       | 1964       | 1963        | 1962        | 1961        |
|-------------|------------|------------|------------|-------------|-------------|-------------|
| 18,821,000  | 18,456,000 | 14,523,000 | 10,470,000 | 6,850,000   | 3,977,000   | 3,420,000   |
| 3,279,000   | 3,079,000  | 2,542,000  | 1,887,000  | 1,475,000   | 419,000     | 379,000     |
| 883,000     | 931,000    | 869,000    | 658,000    | 698,000     | 667,000     | 498,000     |
| 3,967,000   | 4,226,000  | 3,283,000  | 2,354,000  | 1,614,000   | 1,425,000   | 1,425,000   |
| 10,692,000  | 10,220,000 | 7,859,000  | 5,571,000  | 3,063,000   | 1,466,000   | 1,118,000   |
| 60¢         | 57¢        | 44¢        | 31¢        | 18¢         | 9¢          | 7¢          |
| 2,438,000   | 2,214,000  | 615,000    | (904,000)  | (1,467,000) | (1,246,000) | (1,430,000) |
| 14¢         | 12¢        | 3¢         | (5¢)       | (9¢)        | (7¢)        | (9¢)        |
| 53,964,000  | 70,531,000 | 75,184,000 | 47,119,000 | 32,867,000  | 30,000,000  | 30,000,000  |
| (2,308,000) | 1,666,000  | 1,438,000  | 1,662,000  | 4,117,000   | 2,616,000   | 9,104,000   |
| 3,134,000   | 3,685,000  | 2,955,000  | 3,117,000  | 2,431,000   | 2,128,000   | 1,053,000   |
| 2,467,000   | 2,636,000  | 2,914,000  | 1,448,000  | 1,675,000   | 887,000     | 580,000     |
| 2,486,000   | (901,000)  | 30,451,000 | 20,790,000 | (964,000)   | 4,931,000   | 9,931,000   |
| 25,162,000  | 22,724,000 | 20,510,000 | 19,895,000 | 17,899,000  | 18,891,000  | 20,137,000  |
| 17,791,000  | 17,791,000 | 17,791,000 | 17,791,000 | 16,791,000  | 16,791,000  | 16,791,000  |
| 5,865,000   | 6,240,000  | 5,400,000  | 4,135,000  | 2,409,000   | 1,459,000   | 1,250,000   |
| 14,937      | 12,635     | 6,167      | 4,081      | 3,455       | 605         | —           |
| 66,226      | 57,970     | 73,005     | 56,272     | 52,954      | —           | —           |
| 2.39        | 2.36       | 2.30       | 2.22       | 2.32        | 2.40        | 2.33        |
| 14¢         | 14¢        | 14¢        | 13¢        | 13¢         | 15¢         | —           |
| 38.29       | 28.99      | 15.08      | 11.20      | 11.89       | —           | —           |
| 3,946,000   | 3,012,000  | 3,841,000  | 4,310,000  | 5,393,000   | 7,292,000   | 8,104,000   |
| 1,936,000   | 1,526,000  | 1,612,000  | 1,729,000  | 2,110,000   | 2,782,000   | 2,917,000   |
| 120         | 108        | 100        | 92         | 86          | 75          | 77          |



### Consolidated Statement of Earnings and Deficit

Years Ended December 31, 1970 and 1969

|  | 1970                | 1969                  | As<br>Previously<br>Reported |
|--|---------------------|-----------------------|------------------------------|
|  |                     | Pro Forma<br>(Note 2) |                              |
| Production revenue . . . . .                                       | \$20,578,000        | \$18,175,000          | \$18,175,000                 |
| Investment income . . . . .  | 150,000             | 78,000                | 78,000                       |
|  | <u>20,728,000</u>   | <u>18,253,000</u>     | <u>18,253,000</u>            |
| Deduct:  |                     |                       |                              |
| Operating expenses . . . . .                                       | 4,155,000           | 3,622,000             | 3,622,000                    |
| Administrative and general expenses . .                            | 1,823,000           | 1,081,000             | 1,081,000                    |
| Interest on long term debt . . . . .                               | 2,505,000           | 3,300,000             | 3,300,000                    |
|  | <u>8,483,000</u>    | <u>8,003,000</u>      | <u>8,003,000</u>             |
| Earnings before the following deductions .                         | <u>12,245,000</u>   | <u>10,250,000</u>     | <u>10,250,000</u>            |
| Deduct:  |                     |                       |                              |
| Depletion . . . . .  | 4,977,000           | 4,023,000             | 3,770,000                    |
| Depreciation . . . . .   | 1,729,000           | 1,590,000             | 1,590,000                    |
| Rentals on non-producing properties . .                            |                     |                       | 745,000                      |
| Abandonments and exploration expenses                              |                     |                       | 1,395,000                    |
| Discount on purchase of notes . . . . .                            | (4,000)             | (144,000)             | (144,000)                    |
|  | <u>6,702,000</u>    | <u>5,469,000</u>      | <u>7,356,000</u>             |
| Earnings before extraordinary items<br>(Note 5) . . . . .          | <u>5,543,000</u>    | <u>4,781,000</u>      | <u>2,894,000</u>             |
| Extraordinary items:   |                     |                       |                              |
| Discount on notes purchased for<br>cancellation (Note 4) . . . . . | 726,000             |                       |                              |
| Refinancing costs (Note 6) . . . . .                               | (454,000)           |                       |                              |
| Profit on sale of subsidiary company . .                           | 332,000             |                       |                              |
|  | <u>604,000</u>      |                       |                              |
| Net earnings for the year (Note 5) . . . .                         | <u>6,147,000</u>    | <u>\$ 4,781,000</u>   | 2,894,000                    |
| Deficit at beginning of year . . . . .                             | <u>13,967,000</u>   |                       | 16,861,000                   |
| Deficit at end of year . . . . .                                   | <u>\$ 7,820,000</u> |                       | <u>\$13,967,000</u>          |
| Per share:   |                     |                       |                              |
| (Calculated on average number of shares outstanding)               |                     |                       |                              |
| Earnings before extraordinary items . .                            | \$ .22              | \$ .27                | \$ .16                       |
| Extraordinary items . . . . .                                      | .03                 |                       |                              |
| Net earnings for the year . . . . .                                | <u>\$ .25</u>       | <u>\$ .27</u>         | <u>\$ .16</u>                |

(See accompanying notes)



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## Consolidated Statement of Source and Application of Funds

Years Ended December 31, 1970 and 1969

|  | <u>1970</u>       | <u>1969</u>       |
|--|-------------------|-------------------|
| <b>Source of Funds:</b>  |                   |                   |
| Earnings before depletion, depreciation<br>and other charges . . . . . | \$12,245,000      | \$10,250,000      |
| Long term borrowing . . . . .  | 800,000           | 4,475,000         |
| Gas supply contract advances . . . . .                                 | 939,000           | 780,000           |
| Issue of share capital (Note 6) . . . . .                              | 34,396,000        | —                 |
| Reduction in investments and advances . . . . .                        | 20,000            | 17,000            |
| Sale of shares of wholly owned subsidiary . . . . .                    | 576,000           | —                 |
|  | <u>48,976,000</u> | <u>15,522,000</u> |

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### Application of Funds:

|  |                     |                       |
|--|---------------------|-----------------------|
| Increase in property, plant and equipment —<br>Resulting from acquisition of companies<br>(Note 1) . . . . . | 9,083,000           | —                     |
| Exploration and development . . . . .  | 6,362,000           | 5,572,000             |
| Production and other equipment . . . . .   | 1,800,000           | 5,017,000             |
| Retirement of long term debt (Note 4) . . . . .  | 28,922,000          | 7,046,000             |
| Repayment of gas supply contract advances . . . . .  | 74,000              | —                     |
| Refinancing costs . . . . .  | 454,000             | —                     |
|  | <u>46,695,000</u>   | <u>17,635,000</u>     |
| Increase (decrease) in working capital for the year . . . . .  | <u>\$ 2,281,000</u> | <u>\$ (2,113,000)</u> |

(See accompanying notes)

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## Consolidated Balance Sheet December 31, 1970 and 1969

### ASSETS

|   | <u>1970</u>          | <u>1969</u>         |
|---|----------------------|---------------------|
| <b>Current:</b>   |                      |                     |
| Cash . . . . .  | \$ 494,000           | \$ 274,000          |
| Short term investments at market which<br>is lower than cost . . . . .      | 2,348,000            | 110,000             |
| Accounts receivable —   |                      |                     |
| Affiliates . . . . .  | 1,516,000            | 1,270,000           |
| Other . . . . .   | 2,600,000            | 1,594,000           |
| Inventory of sulphur and supplies at cost<br>and prepaid expenses . . . . . | 1,018,000            | 730,000             |
|   | <u>7,976,000</u>     | <u>3,978,000</u>    |
| <b>Investments and Advances:</b>  |                      |                     |
| Shares in wholly owned subsidiary . . . . .                                 | —                    | 244,000             |
| Investment in other companies at cost (Note 3) . .                          | 1,028,000            | 1,028,000           |
| Deposits and long term receivables . . . . .                                | 266,000              | 286,000             |
|   | <u>1,294,000</u>     | <u>1,558,000</u>    |
| <b>Property, Plant and Equipment at Cost:</b>                               |                      |                     |
| Petroleum and natural gas rights (Note 2) . . . .                           | 122,966,000          | 108,411,000         |
| Less accumulated depletion (Note 2) . . . . .                               | 41,023,000           | 36,056,000          |
|   | <u>81,943,000</u>    | <u>72,355,000</u>   |
| Production and other equipment . . . . .                                    | 29,109,000           | 26,674,000          |
| Less accumulated depreciation . . . . .                                     | 12,472,000           | 10,997,000          |
|   | <u>16,637,000</u>    | <u>15,677,000</u>   |
|   | <u>98,580,000</u>    | <u>88,032,000</u>   |
| <b>Other:</b>   |                      |                     |
| Debt discount and financing costs less<br>amounts written off . . . . .     | 86,000               | 95,000              |
|   | <u>\$107,936,000</u> | <u>\$93,663,000</u> |



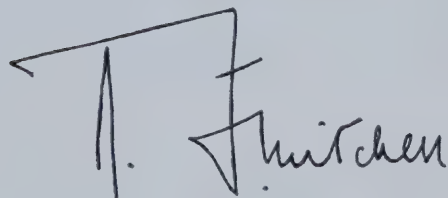
## LIABILITIES

|  | <u>1970</u>       | <u>1969</u>       |
|--|-------------------|-------------------|
| <b>Current:</b>                                  |                   |                   |
| Bank loan . . . . .                              | \$ —              | \$ 250,000        |
| Accounts payable and accrued liabilities . . . . | 2,492,000         | 2,807,000         |
| Interest accrued on long term debt . . . . .     | 65,000            | 457,000           |
| Long term debt due within one year (Note 4) . .  | 4,545,000         | 4,055,000         |
| Deferred production income . . . . .             | 2,184,000         | —                 |
|  | <u>9,286,000</u>  | <u>7,569,000</u>  |
| <b>Gas Supply Contract Advances . . . . .</b>    | <u>1,645,000</u>  | <u>780,000</u>    |
| <b>Long Term Debt (Note 4) . . . . .</b>         | <u>25,343,000</u> | <u>54,195,000</u> |

### Shareholders' Equity:

|  |                    |                     |
|--|--------------------|---------------------|
| Share capital (Note 6) —                     |                    |                     |
| Authorized—35,000,000 shares of no par value |                    |                     |
| Issued —27,317,927 shares                    |                    |                     |
| (1969—17,791,029 shares)                     | 79,482,000         | 45,086,000          |
| Deficit . . . . .                            | <u>(7,820,000)</u> | <u>(13,967,000)</u> |
|  | <u>71,662,000</u>  | <u>31,119,000</u>   |

On behalf of the Board:

 T. Fritchen, Director.

 L. L. Linn, Director.

\$107,936,000      \$93,663,000



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## Notes To Consolidated Financial Statements

December 31, 1970

### 1. PRINCIPLES OF CONSOLIDATION AND ACQUISITIONS

The consolidated financial statements include the accounts of BP Oil and Gas Ltd. and its wholly owned subsidiaries (during 1970 the Company's name was changed from Triad Oil Co. Ltd. to BP Oil and Gas Ltd.).

Effective January 1, 1970 the Company purchased from BP Canada Limited all of the outstanding shares of, and all the advances by BP Canada Limited to, BP Exploration Canada Limited, Monkman Exploration Limited, Horn River Exploration Limited and Berland River Exploration Limited in consideration for the issuance of 1,716,776 common shares of the Company issued at a value of \$9,013,000 less a cash adjustment of \$61,000 paid by BP Canada Limited to the Company, or a net consideration of \$8,952,000. The acquisitions were accounted for as purchases and the excess of the net book values of these subsidiaries over the purchase consideration has been deducted from property, plant and equipment based on an independent evaluation of their properties.

The excess of the consideration paid for the shares of previously purchased subsidiaries over the net book value of the related assets at dates of acquisition is attributable to oil and gas properties and is included therein in the accompanying consolidated balance sheet.

### 2. CHANGE IN ACCOUNTING PRACTICE

Prior to 1970 the companies followed the practice of expensing carrying charges on non-producing acreage as incurred and non-productive drilling, exploration and property costs at the time a project was abandoned. Depletion of producing property costs was provided on a unit of production method based on estimated proven reserves of oil and gas for each producing area.

Commencing January 1, 1970 the companies adopted the full-cost method of accounting wherein all costs related to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on total estimated proven reserves. Production and other equipment is being depreciated on a straight line basis over the estimated useful lives of the assets.

The change in accounting practice was not made retroactively, but the consolidated statement of earnings for 1969 has been restated for comparative purposes on the same basis as the 1970 accounts and is presented herein as "1969 - Pro Forma".

### 3. INVESTMENT IN OTHER COMPANIES

The companies' investment in other companies at December 31, 1970 consists of the following:

|   | <u>Number<br/>of<br/>Shares</u> | <u>Cost</u> | <u>Quoted<br/>Market<br/>Value</u> |
|---|---------------------------------|-------------|------------------------------------|
| British Columbia Oil Lands Ltd. . . . . | 329,319                         | \$741,000   | \$2,305,000                        |
| Other shares and debentures . . . . .   |                                 | 287,000     | Not Quoted                         |

The number of shares held of British Columbia Oil Lands Ltd. represents 34.75% of the total outstanding shares of that company and consequently the quoted market value is not necessarily indicative of the amount that could be realized if this investment were sold.

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#### 4. LONG TERM DEBT

Details of the companies' long term debt are as follows:

|   | <u>1970</u>         | <u>1969</u>         |
|---|---------------------|---------------------|
| BP Oil and Gas Ltd.   |                     |                     |
| 4¾% Notes payable September 15, 1971 . . . . .  | \$ 2,347,000        | \$17,142,000        |
| Bank loans, secured by certain oil and gas properties, payable<br>over a period of five years . . . . . | 1,039,000           | 2,196,000           |
| Notes payable monthly to July 15, 1980 out of the proceeds of<br>production from certain properties     |                     |                     |
| 5¾% Series A Notes . . . . .  | 988,000             | 2,516,000           |
| 6¼% Series B Notes . . . . .  | 21,000,000          | 21,000,000          |
| Subsidiaries  |                     |                     |
| 5½% Promissory Note payable to an affiliate . . . . .   | —                   | 9,958,000           |
| Bank loans, secured by certain oil and gas properties,<br>payable over a period of six years . . . . .  | 4,514,000           | 5,438,000           |
|   | <u>29,888,000</u>   | <u>58,250,000</u>   |
| Included in current liabilities as due within one year . . . . .  | 4,545,000           | 4,055,000           |
|   | <u>\$25,343,000</u> | <u>\$54,195,000</u> |

In addition to the long term debt due within one year included in current liabilities it is estimated that further repayments of the 5¾% Series A and 6¼% Series B Notes of the Company from production proceeds during 1971 will amount to \$1,038,000. Long term debt repayments during the four years subsequent to 1971 will be approximately as follows:

1972—\$2,950,000; 1973—\$3,350,000; 1974—\$3,220,000; 1975—\$3,010,000.

During the year the \$8,958,000 5½% Promissory Note payable to an affiliate (the balance after payment of a \$1,000,000 instalment on March 1, 1970) and \$14,713,000 of the 4¾% Notes payable September 15, 1971 were purchased for cancellation at a cost of \$22,945,000 out of the proceeds of the issue of share capital (see Note 6). The resulting discount of \$726,000 has been credited to earnings as an extraordinary item.

#### 5. INCOME TAXES

For income tax purposes, the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which exceed the related charges to earnings. As a result, no income taxes are payable in respect of earnings reported for the year ended December 31, 1970.

The companies, in common with many other companies in the oil and gas industry, do not consider it appropriate to provide for income taxes deferred as a result of claiming for income tax purposes drilling, exploration and lease acquisition costs in excess of the related charges to earnings. This practice differs from the tax allocation basis of accounting recommended by the Canadian Institute of Chartered Accountants which requires that income taxes be provided for on the basis of income reported in the accounts. Depreciation claimed for income tax purposes in 1970 and 1969 was not significantly different from that provided in the accounts.



If the tax allocation basis had been followed for all timing differences between taxable income and reported income, deferred income taxes of \$2,100,000 (8¢ per share) would have been provided in 1970 (\$1,930,000 - 11¢ per share in 1969 Pro Forma) and earnings before extraordinary items would have been reduced accordingly. The accumulated deferred income tax provisions for current and prior years would have amounted to \$5,900,000 at December 31, 1970. At December 31, 1970 accumulated expenditures remain to be carried forward and applied against future taxable income as follows:

|   |              |
|---|--------------|
| Drilling, exploration and lease acquisition costs . . . . . | \$53,900,000 |
| Undepreciated capital cost . . . . .                        | \$12,100,000 |

## 6. SHARE CAPITAL

On February 16, 1970 the authorized share capital of the Company was increased from 25,000,000 common shares to 35,000,000 common shares.

During the year 1,716,776 common shares were issued at a value of \$9,013,000 (\$5.25 per share) as consideration for the acquisition of certain subsidiary companies (see Note 1). In addition, rights to purchase 7,803,122 common shares of the Company were issued and subsequently exercised for a cash consideration of \$25,360,000. Expenses relating to the rights offering totalling \$454,000 have been charged to earnings as an extraordinary item.

During 1970 options to purchase 45,000 shares were granted to officers and employees under an Incentive Share Option Plan of which options for 7,000 shares were exercised for \$23,000. At December 31, 1970 options were outstanding to officers and employees to purchase 38,000 shares at \$3.33 exercisable in equal annual instalments to July 25, 1975 and 155,000 shares have been reserved for the granting of future options.

## 7. STATUTORY INFORMATION

The aggregate direct remuneration of the directors and senior officers of the Company during 1970 amounted to \$221,000.

## Auditors' Report

### TO THE SHAREHOLDERS OF BP OIL AND GAS LTD. (Formerly Triad Oil Co. Ltd.)

We have examined the consolidated balance sheet of BP Oil and Gas Ltd. and subsidiary companies as at December 31, 1970 and the consolidated statements of earnings and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting practice referred to in Note 2.

Calgary, Canada.  
March 2, 1971.

CLARKSON, GORDON & CO.  
Chartered Accountants.



# BP Oil and Gas Ltd.

(formerly Triad Oil Co. Ltd.)

An Alberta company incorporated October, 1951

## HEAD OFFICE

335 - 8th Avenue S.W., Calgary 2, Alberta

## SUBSIDIARY AND AFFILIATED COMPANIES

BP Exploration Canada Limited  
incorporated under the Laws of Canada  
(100% owned)

Monkman Exploration Limited  
incorporated under the Laws of Canada  
(100% owned)

Berland River Exploration Limited  
incorporated under the Laws of Canada  
(100% owned)

Horn River Exploration Limited  
incorporated under the Laws of Canada  
(100% owned)

Triad Petroleum Development Ltd.  
incorporated under the Laws of Canada  
(100% owned)

Triad Oil Manitoba Ltd.  
incorporated under the Laws of the Province  
of Manitoba (100% owned)

British Columbia Oil Lands Ltd.  
incorporated under the Laws of the Province  
of British Columbia (34.75% owned by  
Triad Oil Manitoba Ltd.)

Triad Oil Company of Canada  
incorporated under the Laws of the State  
of Delaware (100% owned)

## TRANSFER AGENTS AND REGISTRARS

### CANADA

Canada Permanent Trust Company,  
Calgary - Vancouver - Winnipeg - Montreal

The Canada Trust Company,  
Toronto

### UNITED STATES

Morgan Guaranty Trust Company of New York,  
Transfer Agent  
New York

The Bank of New York,  
Registrar  
New York

## AUDITORS

Clarkson, Gordon & Co.

## STOCK EXCHANGE LISTINGS

Toronto - Montreal - Calgary - Vancouver



